

FY 2005 President's Budget Submission
Navy Working Capital Fund
Research and Development
Narrative Summary of Operations
NAVAL AIR WARFARE CENTER (NAWC)
Date: February 2004

Mission Statement

This Naval Air Warfare Center (NAWC) budget submission includes the Aircraft Division (NAWCAD) and the Weapons Division (NAWCWD). The NAWCAD mission is to remain the Navy's principal RDT&E, engineering, and Fleet support activity for naval aircraft engines, avionics, and aircraft support systems and ship/shore/air operations. The scope of their mission includes the acquisition and in-service support of manned and unmanned air vehicles (UAVs) and air operations ashore and afloat. The mission of the NAWCWD is to be the Navy's full spectrum RDT&E in-service engineering center for air warfare weapons systems (except antisubmarine warfare systems) missiles and missile subsystems, aircraft weapons integration, and assigned airborne electronic warfare systems. The scope of the mission includes maintenance and operation of the air, land, and sea Naval Western Test Range complex. NAWC receives Major Range Test Facilities Base funding (RDT&E,N appropriation) to maintain and support designated range facilities.

Financial Highlights/Assumptions:

This budget reflects a transfer of Shore Station Management functions from NAWC to Commander, Naval Installations (CNI) as well as a transfer of facilities maintenance, utilities and base support functions to Public Work Centers (PWC) detachments beginning in FY 2004. This action is part of the Installation Claimant Consolidation II effort. NAWC will provide reimbursement for all NWCF related (non-common support) services.

Budget Highlights
(\$ and Hours in Millions)

1. Workload Profile:

	FY 2003	FY 2004	FY 2005
Orders Received	3,125.2	1,940.2	2,148.3
Direct Labor Hours (DLHs)	15,481.3	14,420.8	14,372.8

Order changes from FY 2003 to FY 2004 levels reflect the transfer of Shore Station Management to CNI and NAVFAC. In addition, FY 2003 actuals represent emergent work that was not budgeted. NAWC AD received workload tied to a number of new programs including the Advanced Hawkeye, Joint Precision Approach Landing System, Multi-Mission Maritime Aircraft, and the VHXX Executive Helo Development. FY 2004 and FY 2005 orders represent known workload and are in agreement with customer budgets.

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2. Financial Profile:

	FY 2003	FY 2004	FY 2005
Revenue	\$2,229.8	\$2,261.0	\$2,154.5
Cost Of Goods Sold	2,212.2	2,253.6	2,137.5
Revenue Less Expense	17.6	7.5	17.0
Surcharge	-4.0	0	0
Net Operating Results (NOR)	13.6	7.5	17.0
Other Adjustments	1.9	0	0
AOR	-24.5	-17.0	0.0

Revenue and cost remain stable through the budget period.

3. Stabilized Rates:

	FY 2003	FY 2004	FY 2005
Stabilized Rates	\$93.97	\$86.27	\$89.53
Rate Change		-8.2%	3.8%
Composite Rate Change		-2.3%	2.4%

Rate reductions in FY 2004 are the result of realignment of shore station functions. The FY 2005 rate reflects the impact of pay raises, general inflation and an AOR recoupment factor.

4. Staffing Profile:

	FY 2003	FY 2004	FY 2005
Civilian E/S	11,483	9,716	9,721
Civilian W/Ys	11,293	9,652	9,664
Military E/S	216	240	228
Officers	70	94	95
Enlisted	146	146	133
Military W/Ys	169	158	169

Decreases from FY 2003 to FY 2004 reflect the transfer of Shore Station Management functions to CNI and NAVFAC.

Military changes from FY 2004 to FY 2005 are due to workload adjustments.

5. Indirect Ratio:

	FY 2003	FY 2004	FY 2005
Total Indirect Costs (a)	\$ 378.3	\$ 297.6	\$ 294.8
Total Direct Costs (b)	\$2,150.8	\$1,955.9	\$1,842.8
Indirect Ratio (a)/(b)	18%	15%	16%

The improvement in the indirect ratio between FY 2003 and FY 2004 is the result of the transfer of shore station management functions.

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6. Capital Purchases Program:

	FY 2003	FY 2004	FY 2005
Equipment	\$8.5	\$10.0	\$10.0
Minor Construction	\$1.5	\$3.6	\$1.9
ADP/Telecommunications	\$4.7	\$11.4	\$11.7
Software	\$18.5	\$15.0	\$0.0
TOTAL	\$33.2	\$40.0	\$23.6

Changes in the CPP Program are consistent with budgeted depreciation expense based on items beginning and/or ending depreciation. However, the reduction in total CPP authority in FY 2005 is the result of the Navy's decision to converge current Navy Enterprise Resource Planning (ERP) pilots into a standardized Navy-wide ERP solution. The ERP convergence effort has resulted in a new schedule and NAWC capital funding is not needed in FY 2005.

7. Net Outlays:

	FY 2003	FY 2004	FY 2005
Disbursements	\$2,606.4	\$2,221.9	\$2,108.5
Collections	\$2,357.2	\$2,234.2	\$2,130.2
Net Outlays	\$249.3	\$(12.3)	\$(21.7)

Changes in Net Outlays are consistent with budgeted Revenue and Expense fluctuations.

8. Performance Indicators:

Unit Cost and Direct Labor Hours

	FY 2003	FY 2004	FY 2005
Cost Per Direct Labor Hour	\$1,168.0	\$1,077.7	\$1,087.1
Direct Labor Hours (DLH)	15.481	14.421	14.373
Unit Cost	\$75.45	\$74.73	\$75.64
% Change Workload/DLHs		-6.4%	-0.3%
% Change Unit Cost		-0.5%	1.2%

The reduction in unit cost from FY 2003 to FY 2004 is due to the transfer of shore station management functions, which are indirect in nature. The increase in unit cost in FY 2005 is due to pay raises and general inflation.